The Central American Sugar Industry: Efficiency and Competitiveness

José A. Orive
THE CENTRAL AMERICAN SUGAR INDUSTRY:
EFFICIENCY AND COMPETITIVENESS

AICA
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PRODUCTION MTRV</th>
<th>INTERNAL CONSUMPTION MTRV</th>
<th>EXPORT MTRV</th>
<th>CULTIVATED AREA HECTARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>COSTA RICA</td>
<td>354,281</td>
<td>233,375</td>
<td>118,060</td>
<td>53,000</td>
</tr>
<tr>
<td>EL SALVADOR</td>
<td>573,797</td>
<td>255,300</td>
<td>318,497</td>
<td>63,411</td>
</tr>
<tr>
<td>GUATEMALA</td>
<td>2,048,152</td>
<td>700,000</td>
<td>1,348,152</td>
<td>235,000</td>
</tr>
<tr>
<td>HONDURAS</td>
<td>403,811</td>
<td>317,515</td>
<td>86,206</td>
<td>44,703</td>
</tr>
<tr>
<td>NICARAGUA</td>
<td>505,540</td>
<td>243,712</td>
<td>261,862</td>
<td>77,141</td>
</tr>
<tr>
<td>PANAMA</td>
<td>176,724</td>
<td>120,202</td>
<td>44,503</td>
<td>25,452</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,062,305</td>
<td>1,870,104</td>
<td>2,177,280</td>
<td>498,707</td>
</tr>
</tbody>
</table>
FINAL RESULTS 2010-2011 HARVEST

PRODUCTION MTRV
- Panama: 4%
- Costa Rica: 9%
- Nicaragua: 13%
- Honduras: 10%
- Guatemala: 50%

INTERNAL CONSUMPTION MTRV
- Panama: 6%
- Costa Rica: 13%
- Nicaragua: 13%
- Guatemala: 37%
- Honduras: 17%
- El Salvador: 14%
FINAL RESULTS 2010-2011 HARVEST

**COSTA RICA**: 5%

**EL SALVADOR**: 15%

**GUATEMALA**: 62%

**HONDURAS**: 4%

**NICARAGUA**: 12%

**PANAMA**: 2%

**EXPORT MTRV**

**COSTA RICA**: 5%

**EL SALVADOR**: 15%

**CULTIVATED AREA HECTARES**

**COSTA RICA**: 11%

**EL SALVADOR**: 13%

**NICARAGUA**: 15%

**PANAMA**: 5%

**HONDURAS**: 15%

**GUATEMALA**: 47%
## PROJECTIONS 2011-2012 HARVEST

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PRODUCTION MTRV</th>
<th>INTERNAL CONSUMPTION MTRV</th>
<th>EXPORT MTRV</th>
<th>CULTIVATED AREA HECTARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>COSTA RICA</td>
<td>390,161</td>
<td>236,657</td>
<td>123,148</td>
<td>57,158</td>
</tr>
<tr>
<td>EL SALVADOR</td>
<td>607,401</td>
<td>262,200</td>
<td>345,201</td>
<td>64,861</td>
</tr>
<tr>
<td>GUATEMALA</td>
<td>2,346,000</td>
<td>725,006</td>
<td>1,620,994</td>
<td>235,000</td>
</tr>
<tr>
<td>HONDURAS</td>
<td>472,838</td>
<td>337,700</td>
<td>135,043</td>
<td>55,000</td>
</tr>
<tr>
<td>NICARAGUA</td>
<td>585,098</td>
<td>249,805</td>
<td>335,333</td>
<td>82,141</td>
</tr>
<tr>
<td>PANAMA</td>
<td>176,724</td>
<td>120,202</td>
<td>44,503</td>
<td>25,452</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,578,222</td>
<td>1,931,570</td>
<td>2,604,222</td>
<td>519,612</td>
</tr>
</tbody>
</table>
PROJECTIONS 2011-2012 HARVEST

PRODUCTION MTRV

- PANAMA: 4%
- COSTA RICA: 9%
- NICARAGUA: 13%
- EL SALVADOR: 13%
- HONDURAS: 10%
- GUATEMALA: 51%

INTERNAL CONSUMPTION MTRV

- PANAMA: 6%
- COSTA RICA: 12%
- NICARAGUA: 13%
- EL SALVADOR: 14%
- HONDURAS: 17%
- GUATEMALA: 38%
WHAT DOES THE CENTRAL AMERICAN SUGAR INDUSTRY EXCEL AT?
RECENTLY THE WORLD BANK NAMED CENTRAL AMERICA AS THE #1 REGION IN THE WORLD THAT DERIVES ITS ENERGY FROM RENEWABLE SOURCES. WITHIN THIS CONTEXT THE COGENERATION OF ELECTRICITY UTILIZING BAGASSE IS ONE OF THE MAIN DRIVERS IN THIS ACHIEVEMENT, CONTRIBUTING AS MUCH AS 46% OF TOTAL OUTPUT IN THE COUNTRIES THROUGHOUT THE REGION.
THIS IS CLEAN, ENVIRONMENTALLY-FRIENDLY ENERGY THAT AT THE SAME TIME TAKES CARE OF ANY “SOLID” LEFTOVERS FROM THE CANE EMPLOYED TO PRODUCE SUGAR. IT NOT ONLY MAKES OUR AIR CLEANER BUT THE COUNTRIES ALSO SIGNIFICANTLY BENEFIT FROM HUGE SAVINGS IN THE MONIES THAT THEY WOULD OTHERWISE BE FORCED TO SPEND IN IMPORTING FOSSIL FUELS.
THE MOST EFFICIENT SUGAR LOADING TERMINAL IN THE WORLD

EXPOGRANEL IN GUATEMALA HAS BEEN RATED AS THE MOST EFFICIENT SUGAR TERMINAL FOR THE PAST 3 YEARS. IT'S CAPACITY REACHES 2,100 METRIC TONS PER HOUR AND IS INVESTIGATING ALTERNATIVES TO ENHANCE CAPACITY EVEN FURTHER.
THE MOST SUCCESSFUL MICRO-NUTRIENT PROGRAM IN THE WORLD

THE FORTIFICATION OF SUGAR WITH VITAMIN “A” HAS SIGNIFICANTLY CONTRIBUTED TO IMPROVING THE HEALTH OF ALL CENTRAL AMERICANS. THE PROGRAM HAS BEEN IN EFFECT FOR OVER 35 YEARS THANKS TO THE RESOURCES AND TECHNOLOGY DEVELOPED BY THE SUGAR SECTOR IN 4 COUNTRIES. INFANT BLINDNESS WAS COMPLETELY ERADICATED IN GUATEMALA THANKS TO THE ADDITION OF “RETINOL” TO ALL SUGAR CONSUMED DOMESTICALLY.
MARKET ACCESS – CENTRAL AMERICA IS THE #1 REGION IN THE WORLD WITH MARKET ACCESS FOR SUGAR AND ITS EXPORTS ARE DESTINED TO MULTIPLE DESTINATIONS, MANY UNDER EXISTING TRADE AGREEMENTS. OPTIMUM PLACEMENT OF BOTH RAW AND REFINED SUGAR IS A TOP PRIORITY.
CENTRAL AMERICA HAS NEGOTIATED AN “ASSOCIATION AGREEMENT” WITH THE EUROPEAN UNION THAT IS SOON TO TAKE EFFECT. UNDER THIS ACCORD, THE 6 NATIONS WILL HAVE A TOTAL ACCESS OF 162,000 METRIC TONS TM, WITH A YEARLY INCREASE OF 4,500 TM, AND HAVE DECIDED TO COMMERCIALIZE THE ENTIRE AMOUNT AS A GROUP.
UNDER SEVERAL AGREEMENTS CENTRAL AMERICA HAS THE FOLLOWING ACCESS FOR SUGAR:

• TAIWAN:

• CHILE:

• CANADA: unlimited access for raws, whites/refined are part of an ongoing negotiation.
WE ANTICIPATE A TRQ INCREASE FOR FY2012 IN EARLY APRIL AND STAND READY TO FULLY SUPPLY THE PROPORTION WE’RE ASSIGNED.
UNDER CAFTA, WHICH BENEFITS COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS AND NICARAGUA THE TOTAL ACCESS AMOUNTS TO 194,820 FOR CALENDAR YEAR 2012, MAKING THE TOTAL ACCESS FOR CENTRAL AMERICAN SUGAR 354,747 TM.
MEXICO

THE GIANT VACCUM CLEANER!!!
GIVEN THE DYNAMICS OF FREE ACCESS TO
THE US MARKET UNDER NAFTA AND HIGH
INTERNAL PRICES AS A RESULT OF
SHORTAGES IN SUPPLY, IT’S EXPECTED THAT
HIGH DEMAND FOR CENTRAL AMERICAN
SUGAR INTO MEXICO WILL CONTINUE
DURING THE FORESEEABLE FUTURE.
MEXICO

PRODUCTION: 4.6-4.7 million metric tons tm

CONSUMPTION: 5.4 million metric tons tm

MEXICAN TRQ ENTRIES INTO US MARKET: running about 1/2 of last harvest’s levels.
MEXICO WILL CONTINUE TO IMPORT SIGNIFICANT AMOUNTS OF CENTRAL AMERICAN SUGAR TO SATISFY DOMESTIC DEMAND SINCE ITS PRODUCTION WILL BE TARGETED TO US MARKET.

UNDER CONVERGENCE OF FREE TRADE AGREEMENTS, CENTRAL AMERICA HAS THE EXCLUSIVE RIGHT TO PROVIDE 53% OF IMPORTS DECREE & ANNOUNCED.

GIVEN FACTORS LIKE QUALITY, DISTANCE AND AVAILABILITY OF INVENTORIES, IT’S HIGHLY LIKELY SIGNIFICANT PORTIONS OF THE REMAINDER WILL ALSO COME FROM OUR REGION.
• “UMBRELLA” QUOTA OF 400,000 tm TO BE SUPPLIED BY CENTRAL AMERICA.

• TOTAL IMPORTS FOR 2012 WILL EXCEED 500k tm.

• YIELDS WILL CONTINUE DECREASING TENDENCY.
THANK YOU!!!